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Ukraine

Grain and Feed

Annual

2006

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Report Highlights:
Grain and pulse production in Ukraine in 2006 are anticipated to decline from the previous year's level due to a significant decrease in wheat production. Export of Ukrainian milling quality wheat will decline in MY 2006/2007 due to the forecasted 36% drop in wheat output. An anticipated increase in barley and corn production, however, will fuel increased competition in importing markets for the next marketing year.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Unscheduled Report
Kiev [UP1]
[UP]

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Executive Summary

Grain and pulse (wheat, barley, corn, rye, oats and peas) production in Ukraine is forecast to decline by an estimated 14% from the previous year due to the significant decrease in wheat production. This lower anticipated production will be reflected mainly in reduced grain exports and stocks in marketing year (MY) 2006/2007.

Dry weather and other factors contributed to a significant reduction in the area sown with winter wheat – Ukraine's major crop – in Fall 2005. Poor crop condition and low temperatures in January 2006 further reduced production perspectives. Although, expected expansion of the area under spring barley, wheat, corn, and other cereals is expected to partially compensate for the reduced wheat output.

A reduction in the supply of wheat will be reflected in diminished exports and feed consumption in marketing year (MY) 2006/2006. **Ukrainian exports of milling wheat will decrease** especially to Middle East and North Africa markets, the price-sensitive regions that have purchased predominantly milling-quality wheat from Ukraine in recent years. It is expected that limited offers of feed-quality wheat will continue to be available for export to traditional destinations in MY 2006/2007. Unlike wheat, barley and corn exports are anticipated to increase in MY 2006/2007 from the current marketing year's level reflecting higher anticipated production. Therefore, competition from Ukraine in traditional barley and corn importing countries will likely increase in MY 2006/2007.

Increased corn and barley production will allow farmers and compound feed producers to offset the reduction in availability of feed wheat and slightly increase overall feed utilization.

The Government of Ukraine (GOU) will continue to intervene in grain markets in MY 2006/2007 by implementing legislative provisions that were adopted in 2004. Government intervention will be conducted via increased direct farm payments and price support programs in MY 2006/2007. The GOU might also impose export limitations if domestic milling wheat prices increase to a level beyond which significant budget subsidies would be necessary to keep bread prices low.

Wheat

Wheat PSD Table

Ukraine							
Wheat							
	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		07/2004		07/2005		07/2006	MM/YYYY
Area Harvested	5900	5900	6570	6570	0	4800	(1000 HA)
Beginning Stocks	1126	1200	2609	2859	2759	2809	(1000 MT)
Production	17500	17500	18700	18700	0	12000	(1000 MT)
TOTAL Mkt. Yr. Imports	34	10	50	50	0	200	(1000 MT)
Jul-Jun Imports	34	10	50	50	0	200	(1000 MT)
Jul-Jun Import U.S.	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	18660	18710	21359	21609	2759	15009	(1000 MT)
TOTAL Mkt. Yr. Exports	4351	4351	5500	5700	0	1500	(1000 MT)
Jul-Jun Exports	4351	4351	5500	5700	0	1500	(1000 MT)
Feed Dom. Consumption	2100	2100	3100	3000	0	2500	(1000 MT)
TOTAL Dom. Consumption	11700	11500	13100	13100	0	11709	(1000 MT)
Ending Stocks	2609	2859	2759	2809	0	1800	(1000 MT)
TOTAL DISTRIBUTION	18660	18710	21359	21609	0	15009	(1000 MT)

Production

In 2006, wheat production in Ukraine is forecast to decline by nearly 40%, compared to the previous year. The main reasons are reduced area planted with winter wheat in Fall 2005 and lower-than-average yield expectations. Ukrainian farmers significantly reduced the area of winter wheat planted due to dry weather and economic conditions (see GAIN report UP 6001 entitled "Winter Wheat Area Drops 19%"). Poor crop conditions, low temperatures and insufficient protective snow cover in late January 2006 further reduced production perspectives (GAIN Report UP6005 "Frost Bites 2006 Crop").

The 2006 wheat production forecast provided in the PSD is based on the following assumptions:

- 18% of the area planted with winter wheat in Ukraine in Fall 2006 (5.14 million hectares) was damaged (i.e. will require re-sowing with spring crops 2006). The extremely cold temperatures (below – 18° C) and the absence (or insignificance) of the protective snow cover on January 18-19, 2006 were the main factors behind the freeze damage estimates (occurred predominantly in Luhansk, Donetsk, Kharkiv and Sumy Oblast).
- While producing the estimate of winter damage, FAS-Kiev assumed that 10% of the fields that were assessed as weak and 100% of non-sprouted fields will require re-sowing. According to crop condition reports conducted immediately prior to the January 18-19, 2006 frosts, approximately 1.5 million hectares of winter wheat were assessed as weak. For instance, crop assessment reports that had been conducted prior to the cold weather snap in January indicated that 33% of winter wheat in Dnipropetrovsk Oblast was in bad condition. Underdeveloped wheat plants (in 1-3 leave stage) are less resistant to low temperatures compared with fully tillered plants. Therefore, tests conducted by the Ukrainian Hydrometeorology Center *Ukrhydrometcenter* in Dnipropetrovks Oblast in February 2006 found that 31-50% of wheat plants died in 34% of tested samples. These fields will have to be re-sown.
- Winter wheat yields in 2006 will likely be lower than average due to the thinning in remaining fields.
- The area planted with spring wheat in 2006 will increase to 600,000 hectares in response to high winterkill.

The State Statistics Committee of Ukraine published its final 2005 wheat production estimate in early March 2006. Official production statistics are provided in the Statistical Tables Section and contain the breakdown of spring and winter wheat areas, yields and production – information that was not previously available.

Consumption

Reduced wheat production in 2006 will be reflected in much lower feed usage compared with the current marketing year. Wheat consumption for food and industrial purposes (ethanol production) in MY 2006/2007 is anticipated to decline insignificantly. It is expected that feed barley and corn will replace feed wheat in livestock and feeding rations.

Trade

Exports

Wheat exports in MY 2006/2007 are forecast to decline to **1.5 million** tons due to the anticipated decrease in production and, therefore, bullish price expectations. Milling-quality wheat exports in MY 2006/2007 to price-sensitive markets in Africa and Middle East are forecasted to decrease significantly in order to meet domestic demand. MY 2006/2007 feed-quality wheat exports to traditional destinations will also decrease but not as significantly as exports of milling wheat. The table below provides a forecast of wheat exports by region for the next marketing year:

Forecast of Wheat Exports in MY 2006/2007 by Possible Destinations

Destinations	Jul 05-Jan 06, 1,000 MT	Share, %	MY 2006/2007 Forecast, 1,000 MT	Share, %	Reason
Africa	1,432	33%	300	20%	Reduced availability of milling quality wheat from Ukraine
EU-25	1,039	24%	500	33%	Reduced demand from Spain and remaining TRQ restriction in the EU
South-East Asia	950	22%	300	20%	Deliveries predominantly to traditional feed wheat buyers
Middle East	749	17%	300	20%	Reduced availability of milling quality wheat from Ukraine
Other Countries	138	3%	100	7%	
Total	**4,309**	**100%**	**1,500**	**100%**	**Lower exports due to anticipated production decrease**

MY 2005/2006 export **estimates** were increased to reflect expected shipments before the end of the marketing year. The Ukrainian Association of Commodity Exchanges reported registration of wheat export contracts at 6.4 million tons since the beginning of the marketing year (2.8 million of feed-quality and 3.6 million for milling-quality wheat). The rate of default or cancellation of export contracts registered by the Ukrainian Commodity Exchanges remains high. The GOU has also considered introducing export licensing in order to prevent wheat shortages in anticipation of lower production in MY 2006/2007. Therefore, FAS-Kiev believes that actual MY 2005/2006 exports will be less than the quantity registered for export by the exchanges.

Official statistics recorded July 2005-January 2006 wheat exports at 4.3 million tons. According to available port statistics, February export shipments approximated 330,000 tons. Exports in March are expected to total 300,000 tons. With wheat exports reaching nearly 5.0 million tons in July 2005 - March 2006 and considering outstanding export commitments, FAS-Kiev suggests increasing Ukraine's MY 2005/2006 export estimate as indicated in the Wheat PSD Table.

Wheat Exports From Ukraine (February-March 2006*)

Destination	1,000 MT
Italy	90
Bangladesh	90
Israel	75
Yemen	65
Egypt	45
Kenya	32
Algeria	25
Greece	20
Sudan	15
Other countries	173
Total estimate	**630**

**Preliminary estimate based on port reports and FAS-Kiev interviews with grain traders*

For information on exports from July 2005-January 2006, please refer to GAIN Report "Frost Bites 2006 Crop".

Imports

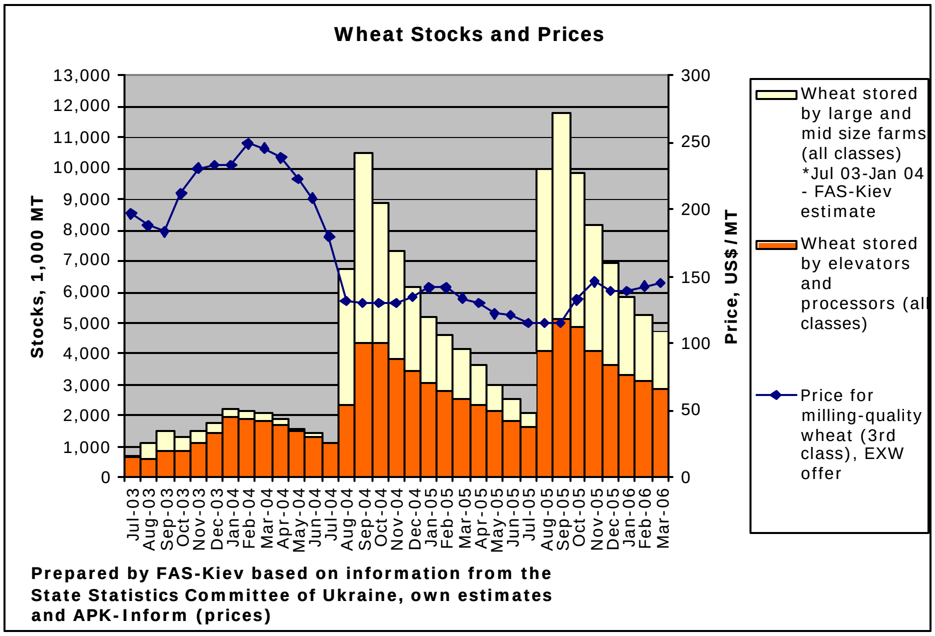
Ukraine's MY 2006/2007 wheat imports will likely increase in response to reduced production. However, imports will be limited to milling wheat supplies from Kazakhstan and/or the

Russian Federation. Ukraine has signed free-trade agreements with these countries; therefore, importers can avoid paying the standard EUR40 per metric ton import duty.

Stocks

MY 2006/2007 ending stocks will be lower than in MY 2005/2006 due to reduced supply. Information on monthly wheat stocks held by farmers, elevators and processors is provided below. Please note that the stock information provided below does not account for wheat stored by small farms and private households that produced 18% of all wheat in Ukraine in 2005.

For the first time, FAS-Kiev is providing the **quality structure of Ukrainian wheat stocks**. Please see Statistical Tables Section at the end of this report for more information on quantities and quality of commercially available wheat in Ukraine. The Ministry of Agricultural Policy of Ukraine compiled this information based on reports obtained from 14,237 stockholders who held more than 50 MT of grain.



Barley

Production

Barley production in 2006 is forecast to increase compared with the previous year. Spring barley is the main barley crop in Ukraine; therefore, winter barley damage is not expected to significantly reduce production perspectives. The following assumptions were made while preparing the 2006 barley production forecast:

- 15% of the 539,000 hectares of winter barley planted in Fall 2005 have perished and will be re-sown.
- The winter damage threshold for barley was assumed to be -12° C with no protective snow cover. This threshold was reached on January 18, 2006 in Luhansk, Kharkiv, Donetsk Oblast, the minor winter barley producing regions.
- The main damage was caused by thinning in the main producing regions, a result of poor crop establishment before the beginning of winter. 30% of winter barley area

was in a bad condition in December 2005. In Mykolayiv Oblast, the main winter barley producing region in Ukraine, nearly 40% of its 112,000 hectares were in bad condition while 5% failed to sprout at all. According to *Ukhydrometcenter* estimates, 31-50% of barley plants perished in 29% of the samples taken from this oblast after the cold weather spell in January 2006. In FAS-Kiev's estimate of winter barley damage, it is assumed that 30% of the fields that were assessed as weak prior to entering winter will require re-sowing in Spring 2006.

- If weather permits, the area under spring barley will increase to 4.7 million hectares (680,000 hectares more than planted last year)
- Spring barley yield is slightly lower than the average for 2000-2005 (excluding 2003) due to the delayed spring.

Barley PSD Table

Ukraine							
Barley							
	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		07/2004		07/2005		07/2006	MM/YYYY
Area Harvested	4500	4500	4350	4350	0	5000	(1000 HA)
Beginning Stocks	796	438	1191	836	971	956	(1000 MT)
Production	11100	11100	9000	9000	0	10500	(1000 MT)
TOTAL Mkt. Yr. Imports	7	10	80	20	0	10	(1000 MT)
Oct-Sep Imports	11	10	80	20	0	10	(1000 MT)
Oct-Sep Import U.S.	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	11903	11548	10271	9856	971	11466	(1000 MT)
TOTAL Mkt. Yr. Exports	4312	4312	4000	4000	0	4500	(1000 MT)
Oct-Sep Exports	3992	3992	4000	4300	0	4500	(1000 MT)
Feed Dom. Consumption	4700	4700	3800	3200	0	4200	(1000 MT)
TOTAL Dom. Consumption	6400	6400	5300	4900	0	6100	(1000 MT)
Ending Stocks	1191	836	971	956	0	866	(1000 MT)
TOTAL DISTRIBUTION	11903	11548	10271	9856	0	11466	(1000 MT)

Consumption

The use of barley for feed will likely increase **in MY 2006/2007** compared with the current marketing year due to increased production and feed demand (please refer to Ukraine 2005 Livestock and Poultry Annual Reports for livestock and poultry inventories).

Barley malt production in MY 2006/2007 is also anticipated to increase due to increasing demand from the Ukrainian brewing industry. The growth in malt production, however, will not be as significant in MY 2006/2007 as in the current marketing year. FAS-Kiev had to revise down the official estimate of feed barley consumption in MY 2005/2006 to account for increased barley utilization for malting purposes.

Due to the launch of new malting production facilities (see Ukraine 2005 Grain Annual Report for details), malt production in MY 2005/2006 is now expected to increase by 40% compared with MY 2004/2005. According to official statistics, malt production increased from 171,000 tons in July 2004-January 2005 to 238,000 tons in July 2005-January 2006. MY 2004/2005 malt production totaled 318,000 tons, requiring approximately 404,000 tons of barley.

Exports

In **MY 2006/2007,** barley exports are expected to set another record **at 4.5 million tons.** This forecast reflects increased production and expected domestic feed demand. Therefore, competition from Ukrainian barley in international markets will increase. It is expected that

Saudi Arabia will remain the main destination point in MY 2006/2007 accounting for nearly 60% of Ukrainian barley exports. The remaining exports will land at other traditional destinations in the Middle East and North Africa (see table below).

Forecast of Barley Exports in MY 2006/2007 By Possible Destinations

Destinations	Jul 04-Jun 05		Jul 05-Mar 06*		MY 2006/2007 Forecast**	
	1,000 MT	Share, %	1,000 MT	Share, %	1,000 MT	Share, %
Saudi Arabia	1,806	42%	1,940	58%	2,500	56%
Jordan	499	12%	315	9%	500	11%
Iran	433	10%	388	12%	400	9%
Syria	428	10%	288	9%	300	7%
Israel	372	9%	45	1%	400	9%
Libya	215	5%	48	1%	100	2%
Others or Unknown	562	13%	295	9%	300	7%
Total	**4,315**	**100%**	**3,319**	**100%**	**4,500**	**100%**

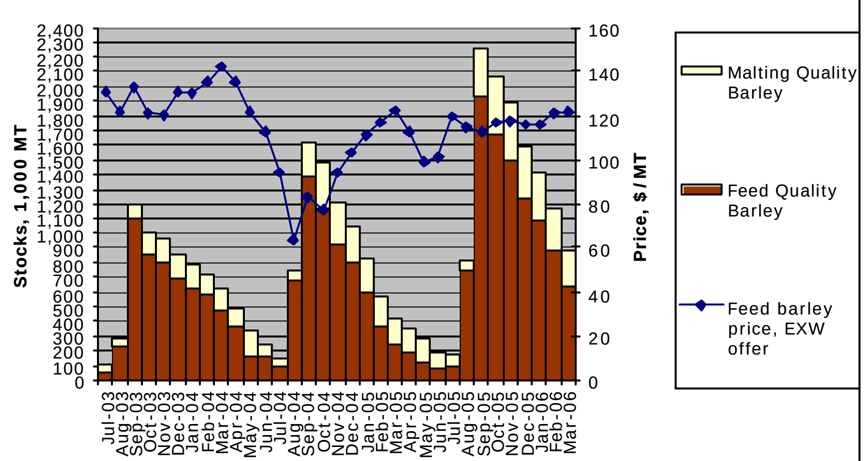
*FAS-Kiev estimate; ** - FAS Kiev Forecast*

The barley export estimate for MY 2005/2006 remains unchanged while October 2005-September 2006 trade estimate was increased. During July 1, 2005-March 17, 2006, the Ukrainian Commodity Exchange registered a total of 3.8 million tons for export. According to official statistics, actual barley exports in July 2005 – January 2006 totaled 2.6 million tons. FAS-Kiev estimates February 2006 exports at 500,000 tons and March 2006 exports at approximately 200,000 tons.

Stocks

Ending stocks of barley in MY 2006/2007 will decrease to reflect higher usage. Barley stocks, however, are expected to be higher than in MY 2004/2005. Monthly trends of commercially available stocks (those held by elevators and processors) over the past three marketing years are provided below. Please note that the graph does not account for barley stored by small farms and private households. These two farm categories accounted for almost 30% of all barley production in Ukraine in 2005 and are believed to have significant stocks as well.

Barley Stocks Held by Elevators and Processors



Prepared by FAS-Kiev based on information from the State Statistics Committee of Ukraine (stocks) and APK-Inform (prices)

Corn

Corn PSD Table

Ukraine							
Corn							
	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		10/2004		10/2005		10/2006	MM/YYYY
Area Harvested	2300	2300	1660	1660	0	2100	(1000 HA)
Beginning Stocks	844	737	1324	1202	1074	952	(1000 MT)
Production	8800	8800	7150	7150	0	7500	(1000 MT)
TOTAL Mkt. Yr. Imports	14	0	0	0	0	0	(1000 MT)
Oct-Sep Imports	14	0	0	0	0	0	(1000 MT)
Oct-Sep Import U.S.	4	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	9658	9537	8474	8352	1074	8452	(1000 MT)
TOTAL Mkt. Yr. Exports	2334	2335	2300	2300	0	2400	(1000 MT)
Oct-Sep Exports	2334	2335	2300	2300	0	2400	(1000 MT)
Feed Dom. Consumption	5300	5300	4400	4400	0	4500	(1000 MT)
TOTAL Dom. Consumption	6000	6000	5100	5100	0	5100	(1000 MT)
Ending Stocks	1324	1202	1074	952	0	952	(1000 MT)
TOTAL DISTRIBUTION	9658	9537	8474	8352	0	8452	(1000 MT)

Production

As with barley, Ukrainian farmers will likely expand the area planted with corn in 2006 to compensate for reduced winter wheat plantings. Farmers, however, are unlikely to dedicate as many hectares to corn in 2006 as in 2004 because soybeans and rapeseed currently seem to be more profitable than corn.

Consumption

Consumption of corn feed will also increase in MY 2006/2007 compared with the current marketing year to reflect higher production and increasing feed demand. Corn is expected to become an important feed energy source and will partially replace wheat in MY 2006/2007 to meet the increasing needs of the growing swine and broiler inventories (see Ukraine 2005 Livestock and Poultry Annual Reports).

Trade

Forecast of Corn Exports in MY 2006/2007 By Possible Destinations

Destinations	Oct 04-Sep 05		Oct 05-Mar 06*		MY 2006/2007 Forecast**	
	1,000 MT	Share, %	1,000 MT	Share, %	1,000 MT	Share, %
Israel	294	13%	249	15%	300	13%
Syria	113	5%	192	11%	200	8%
Spain	329	14%	183	11%	150	6%
Algeria	103	4%	156	9%	150	6%
Libya	101	4%	154	9%	150	6%
Tunisia	165	7%	151	9%	150	6%
Egypt	54	2%	150	9%	200	8%
Belarus	254	11%	111	7%	300	13%
Iran	517	22%	42	2%	400	17%
Others or Unknown	409	17%	288	17%	400	17%
Total	**2,339**	**100%**	**1,676**	**100%**	**2400**	**100%**

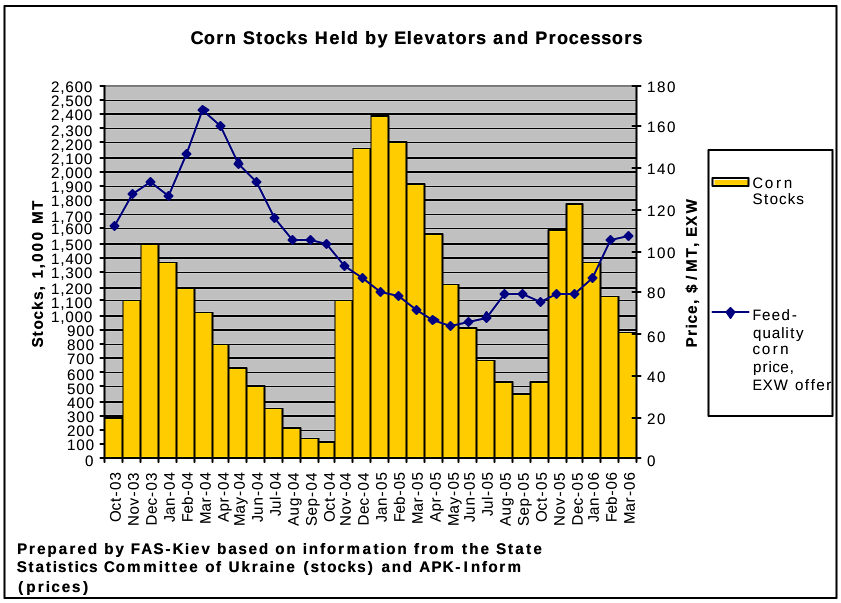
*FAS-Kiev estimate; ** - FAS Kiev Forecast*

The anticipated increase in corn production in 2006 will also allow for increased corn exports in MY 2006/2007 compared with MY 2005/2006. Assuming normal crop quality, Ukrainian corn will continue to be exported to traditional and new markets.

FAS-Kiev estimates 1.9 million tons of corn were exported from Ukraine in October 2005-March 2006 (officially recorded exports were 1.5 million in October 2005-January 2006 and estimated exports in February–March 2006 are 0.4 million tons). Therefore, for the current marketing year (MY 2005/2006), the export estimate remains unchanged.

Stocks

Corn ending stocks in MY 2006/2007 are currently forecasted at the revised MY 2006/2007 level. Higher anticipated supply will be adsorbed by the domestic feed industry and exported. Last year, private households produced approximately 36% of all corn in Ukraine. Households will continue to be an important stock-holder for the next marketing year; therefore, approximately 30-35% of corn will not be accessible to the trade.



Rye

Rye PSD Table

Ukraine							
Rye							
	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		07/2004		07/2005		07/2006	MM/YYYY
Area Harvested	725	725	615	615	0	350	(1000 HA)
Beginning Stocks	140	188	346	344	206	294	(1000 MT)
Production	1600	1600	1050	1050	0	700	(1000 MT)
TOTAL Mkt. Yr. Imports	10	0	10	0	0	0	(1000 MT)
Oct-Sep Imports	10	0	10	0	0	0	(1000 MT)
Oct-Sep Import U.S.	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	1750	1788	1406	1394	206	994	(1000 MT)
TOTAL Mkt. Yr. Exports	104	104	50	50	0	5	(1000 MT)
Oct-Sep Exports	122	122	50	50	0	5	(1000 MT)
Feed Dom. Consumption	300	300	150	150	0	50	(1000 MT)
TOTAL Dom. Consumption	1300	1340	1150	1050	0	850	(1000 MT)
Ending Stocks	346	344	206	294	0	139	(1000 MT)
TOTAL DISTRIBUTION	1750	1788	1406	1394	0	994	(1000 MT)

Production

Farmers significantly reduced the area under winter rye in Fall 2005 due to dry weather (refer to GAIN report UP 6001 entitled “Winter Wheat Area Drops 19%”). In addition to weather conditions last fall, rye prices at the time of planting were $66-70 per ton (12-15% below those in Fall 2004) while the cost of input prices significantly increased thus reducing farmers’ interest in this crop.

Winter rye did not suffer from the cold weather in January 2006 as badly as winter wheat because of its higher resistance to low temperatures. FAS-Kiev estimates that 9% of winter rye planted will not be harvested due to weather and other factors. Spring rye plantings are negligible (less than 1% of the total rye area) and hardly affect rye production.

FAS-Kiev expects that the rye area harvested in 2006 will be the lowest in at past 20 years. Assuming average yields, rye production will be the lowest since 2003, the lowest production year on record. The gradual reduction of rye production in Ukraine is a result of limited rye bread consumption and weak export demand.

Consumption

Feed, industrial and human consumption of rye are anticipated to decrease in MY 2006/2007 and reflects lower production. The rye consumption estimate in MY 2005/2006 was revised downwards to account for the market dynamics of official stock estimates (see below).

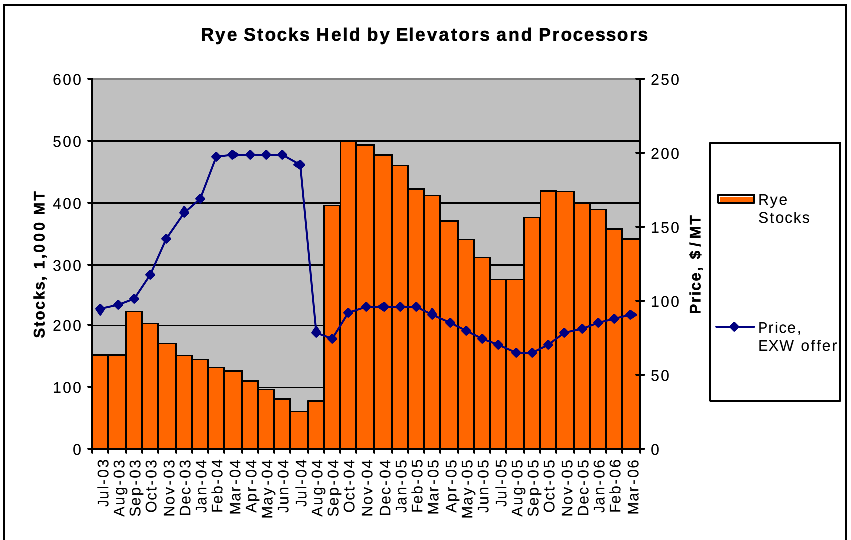
Trade

FAS-Kiev forecasts that rye exports for the next marketing year will be significantly lower than in MY 2005/2006. Lower forecasted crop output in 2006 will generate a bullish price trend and reduced attractiveness of rye from Ukraine in traditional markets.

According to FAS-Kiev estimates, Ukraine exported 37,000 tons in July 2005-March 2006 to the Middle East and the EU. Considering significant available rye stocks, FAS-Kiev did not change the MY 2005/2006 export estimate.

Stocks

Rye stocks that have accumulated over the past two marketing years will be somewhat depleted by the end of MY 2006/2007 due to expected lower production.



Prepared by FAS-Kiev based on information from the State Statistics Committee of Ukraine (stocks) and APK-Inform (prices)

Oats

Oats PSD Table

Ukraine							
Oats							
	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		07/2004		07/2005		07/2006	MM/YYYY
Area Harvested	510	510	450	450	0	480	(1000 HA)
Beginning Stocks	40	40	23	50	18	35	(1000 MT)
Production	1000	1000	800	790	0	850	(1000 MT)
TOTAL Mkt. Yr. Imports	0	0	0	0	0	0	(1000 MT)
Oct-Sep Imports	0	0	0	0	0	0	(1000 MT)
Oct-Sep Import U.S.	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	1040	1040	823	840	18	885	(1000 MT)
TOTAL Mkt. Yr. Exports	17	20	5	5	0	5	(1000 MT)
Oct-Sep Exports	17	20	5	5	0	5	(1000 MT)
Feed Dom. Consumption	850	790	650	650	0	630	(1000 MT)
TOTAL Dom. Consumption	1000	970	800	800	0	800	(1000 MT)
Ending Stocks	23	50	18	35	0	80	(1000 MT)
TOTAL DISTRIBUTION	1040	1040	823	840	0	885	(1000 MT)

The area under oats is anticipated to increase in 2006. However, this increase will not be significant. Most likely, oats area in 2006 will be lower than in 2004. FAS-Kiev revised downwards the 2005 oat production estimate to reflect lower yields reported in the final official production statistics (see Statistical Tables Section).

Considering declining horse inventories, FAS-Kiev expects that oats feed consumption will decrease in MY 2006/2007 while stocks will increase.

Peas

Peas PSD Table

Ukraine							
Peas							
	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		07/2004		07/2005		07/2006	MM/YYYY
Area Harvested	0	260	0	311	0	330	(1000 HA)
Beginning Stocks	0	13	0	26	0	20	(1000 MT)
Production	0	635	0	620	0	650	(1000 MT)
TOTAL Mkt. Yr. Imports	0	0	0	0	0	0	(1000 MT)
Jul-Jun Imports	0	0	0	0	0	0	(1000 MT)
Jul-Jun Import U.S.	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	0	648	0	646	0	670	(1000 MT)
TOTAL Mkt. Yr. Exports	0	202	0	200	0	230	(1000 MT)
Jul-Jun Exports	0	202	0	200	0	230	(1000 MT)
Feed Dom. Consumption	0	350	0	350	0	340	(1000 MT)
TOTAL Dom. Consumption	0	420	0	426	0	420	(1000 MT)
Ending Stocks	0	26	0	20	0	20	(1000 MT)
TOTAL DISTRIBUTION	0	648	0	646	0	670	(1000 MT)

Production

Peas have become an important export-oriented crop for Ukraine. Therefore, farmers are expected to increase the pea area in Spring 2006. Production of this crop in 2006 is forecasted to be the highest since 2000.

Exports

Exports of peas in MY 2006/2007 are expected to increase from the MY 2005/2006 level due to the strong demand form traditional markets in EU-25. See table below.

Pea Exports From Ukraine (HS 071310)

Destinations	Jul 03-Jun 04	Jul 04-Jun 05	Jul-Dec 04	Jul-Dec 05
Spain	0	34,630	29,424	43,815
Italy	9,982	16,465	13,368	39,093
India	0	37,685	37,685	20,773
Hungary	15,850	73,075	58,375	9,119
Netherlands	3,744	0	0	5,939
Austria	0	5,856	1,442	4,289
Bangladesh	0	823	823	4,065
United Kingdom	0	3,360	3,360	2,990
Latvia	0	727	727	2,780
Russia	198	887	151	1,620
Belarus	1,426	4,103	1,731	1,300
Reference for EU-25	30,413	140,614	112,383	109,732
Others Not Mentioned	3,938	23,566	21,165	5,108
Grad Total	**35,137**	**201,177**	**168,251**	**140,892**

Data source: State Statistics Committee of Ukraine

Policy (all grains)

The Government of Ukraine will continue to intervene in the grain market in MY 2006/2007 via price support programs and direct per-hectare subsidies to grain farmers. Limiting wheat exports is also a possibility due to the anticipated decrease in production.

Thanks to increased revenues, the Government budgeted a significant increase in direct farm subsidies in 2006. For the first time since the disastrous MY 2003/2004, Ukrainian grain farmers expect to receive the subsidies. On February 15,2006, GOU approved the following payments to farmers:

- UAH 100/ha ($19.9/ha) for winter wheat, triticale, rye and barley planted in Fall 2005 (to be harvested in 2006 and marketed in MY 2006/2007).
- UAH 65 /ha ($12.9/ha) for spring barley, oats, peas, corn, buckwheat, millet and rice that will be planted in Spring 2006 (to be harvested in 2006 and marketed in MY 2006/2007).

It is not yet clear at what level the GOU will establish minimum and maximum prices in MY 2006/2007 or if GOU will enforce these prices in commercial grain trading. The minimum (floor) price for all major grain and oilseeds were introduced in Ukraine for the first time in June 2005. Although these prices were set at a relatively high level (See GAIN Report UP5011), they were limited to government procurement and were not enforced in commercial trade and exports in the current marketing year.

Grain market interventions in MY 2006/2007 will be conducted through the Agricultural Exchange, a commodity exchange institution created and controlled by the GOU and through a limited number of accredited exchanges in the regions. The Agricultural Exchange was established in line with the requirements of the Law of Ukraine on Grain (adopted in 2004) and conducted the first trade session on February 21, 2006.

Bread remains an important food item in Ukraine. Many people in Ukraine view the price of bread as a gauge that is used to measure the effectiveness of the government's policy. If domestic milling wheat prices increase to a level that requires significant budget subsidies, GOU will consider enforcing the maximum (ceiling) price in commercial trade and/or export licensing (or other export limitation measures) in MY 2006/2007 to increase supply to domestic millers.

It is highly unlikely that the GOU will continue the policy of providing **railroad subsidies** to grain exporters. This subsidy was utilized for the first time in the current marketing year. According to *Ukrzaliznytsia*, the state-owned railroad monopolist, the company lost UAH 44 million ($8.7 million) because GOU reduced the railroad tariff on grain transportation to the ports by 15.26% compared with the tariff on grain transportation within Ukraine in August-December 2005. This subsidy was suspended on January 1, 2006. The *Ukrzaliznytsia* has been charging the following tariffs on grain transportation since January 2006.

Tariffs on Grain Transportation by Railroad in Ukraine

Type of transportation	Average Distance, KM	Tariff		
		UAH/1MT	US$ equiv/1MT	US$/1MT/1KM
Export	569	46	9.11	0.0160
Import	717	54.4	10.77	0.0150
Transit	661	?	10.3	0.0156
Domestic	514	44.2	8.75	0.0170

Prepared by FAS-Kiev based on APK-Inform news dated January 30, 2006.

Statistical Tables

Final Statistics on Grain and Pulse Production in Ukraine in 2005

Crop	Final (corrected) Area Planted	Area Harvested	Production	Yield
	1,000 ha	1,000 ha	1,000 MT	MT/ha
Total Wheat, including -	6665	6571	18699	2.81
Winter Wheat	6185	6105	17683	2.86
Spring Wheat	480	466	1016	2.12
Total Rye, including -	624	609	1054	1.69
Winter Rye	622	608	1053	1.69
Spring Rye	1	1	2	1.47
Total Barley, including -	4500	4350	8975	1.99
Winter Barley	482	474	1008	2.09
Spring Barley	4018	3876	7967	1.98
Corn for Grain	1711	1660	7167	4.19
Oats	468	450	791	1.69
Mixed grains	6	6	10	1.57
Millet	141	120	141	1.00
Buckwheat	426	396	275	0.65
Rice	21	21	93	4.34
Peas	326	311	616	1.89
Beans	26	27	40	1.56
Sorghum	23	20	54	2.35
Total Grains and Pulses	**15005**	**14605**	**38016**	**2.53**

**Source: State Statistics Committee of Ukraine*

Distribution of Wheat Stocks in Ukraine by Quality, 1,000 MT, %

Wheat Class	1-Jan-06	%	1-Feb-06	%	1-Mar-06	%
Soft Wheat 2nd Class	26	0.4%	21	0.4%	17	0.4%
Soft Wheat 3rd Class	1,589	26.4%	1,502	27.0%	1,366	28.4%
Soft Wheat 4th Class	2,018	33.6%	1,882	33.9%	1,637	34.1%
Soft Wheat 5th Class	557	9.3%	516	9.3%	414	8.6%
Soft Wheat 6th Class	1,758	29.2%	1,575	28.3%	1,317	27.4%
Soft Wheat Non classified	18	0.3%	15	0.3%	11	0.2%
Hard Wheat – total	46	0.8%	46	0.8%	41	0.9%
Total Wheat Stocks	**6,012**	**100.0%**	**5,557**	**100.0%**	**4,804**	**100.0%**

Data Source: Ministry of Agricultural Policy of Ukraine

Soft Wheat Quality Requirements (Per State Standard of Ukraine DSTU 3768)

Main quality indicators	Class					
	1	2	3	4	5	6
Weight gram per 1 liter	760	755	730	710	710	Not limited
Moisture, %	14,5	14,5	14,5	14,5	14,5	14,5
Grain admixture, no > than, %	5,0	5,0	8,0	10,0	15,0	15,0
Mineral admix. (sand, soil, etc)	0,3	0,3	0,5	1,0	1,0	1,0
Protein, DM basis, no < than, %	14,0	13,0	12,0	11,0	10,0	Not limited
Raw gluten, no < than, %	30	27	23	18	18	
IDK	45-75	45-100	45-100	20-100	20-100	
Falling number, sec.	> 200	>200	>150	>100	no < 100	